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SUBJ: MARKET RESEARCH PROGRAM FOR EASTERN EUROPE AND USSR

REF: VIENNA 4090

1. WE HAVE GIVEN A CLOSE LOOK AT THE APPROACH TAKEN BY MRO WHELAN IN HIS COMPREHENSIVE MARKETING SURVEY FOR THE USSR, AND BELIEVE A SIMILAR SURVEY COULD BE USEFUL TO COMMERCIAL WORK IN ROMANIA. ALTHOUGH WE DO NOT KNOW HOW CLOSELY THE AVAILABILITY OF DATA ON THE SOVIET UNION COMPARES WITH THAT ON ROMANIA, SUCH A SURVEY WOULD GIVE US USEFUL BRIEFING MATERIAL, ESPECIALLY IF WE COULD COPY SECTIONS OF IT TO GIVE TO NTM BUSINESS VISITORS. WE LOOK FORWARD TO LEARNING WHAT THE MRO CAN PICK UP ON THE ROMANIAN MARKET FROM BUSINESS CONTACTS IN THE WEST. WE WOULD ALSO LIKE TO HAVE THE MARKET POTENTIAL INDEX (DESCRIBED IN SECTION VI A OF THE USSR SURVEY) CALCULATED FOR INDUSTRIAL SECTORS IN ROMANIA, PARTICULARLY TO SEE WHERE US MARKET SHARES IN ROMANIA STAND IN COMPARISON WITH THOSE IN OECD COUNTRIES FOR GROUPS OF PRODUCTS LARGER THAN THOSE COVERED BY PEMS PROJECTIONS.

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2. DESPITE THE USEFULNESS OF SUCH A SURVEY, WE ARE NOT CONFIDENT THAT THE RANK-ORDERING OF MARKETS IN ROMANIA BY USE OF THE MARKET

POTENTIAL INDEX WILL GIVE US A FINAL GUIDE TO MARKET PROMOTION EFFORTS HERE. IN OUR VIEW, ITS MOST CRITICAL ELEMENT IS ITS ESTIMATE OF ROMANIA'S FUTURE IMPORTS FOR EACH MARKET, NOT THE MARKET SHARE ANALYSIS.

A. THE TOTAL SIZE OF EACH IMPORT MARKET IS MUCH MORE CRITICAL TO EFFECTIVE EXPORT PROMOTION EVENTS IN A COUNTRY THE SIZE OF ROMANIA THAN IN LARGER COUNTRIES, WHERE MORE FIELDS CAN OFFER SUBSTANTIAL OPPORTUNITIES TO INDIVIDUAL US FIRMS. QUANTITATIVE ESTIMATES OF FUTURE IMPORTS, SUCH AS THOSE IN THE USSR STUDY, CAN HELP IF THEY MAKE EXPLICIT THEIR ASSUMPTIONS ABOUT USUALLY VAGUE INDICATIONS OF GOR PLANS AND TIMING. THEY MUST BE PROMPTLY CHANGED OR DISCARDED AS NEW INFORMATION COMES IN.

B. WE FIND ROMANIA'S MARKETS TO BE MUCH MORE SUBJECT TO ARBITRARY INFLUENCE THAN THE IMPRESSION OF SOVIET MARKETS WE GAIN FROM READING THE COMPREHENSIVE SURVEY. THIS MAY REFLECT ROMANIA'S CENTRALIZED DECISION-MAKING AS WELL AS ITS ECONOMY'S MORE MANAGEABLE SIZE. BUT SUCH CRUCIAL FACTORS AS THE COUNTRY OF ORIGIN OF IMPORTS, THE RATE OF IMPLEMENTING THE PLAN, AND FINANCIAL AND OTHER TERMS FOR IMPORTS ARE OFTEN DETERMINED BY POLICY DECISIONS RATHER THAN BY MORE PREDICTABLE ECONOMIC NEEDS.

3. IN SUM, EMBASSY HOPES EWTC WILL BE AUTHORIZED TO PROCEED WITH A SURVEY FOR ROMANIA ON BASIS OF VIENNA AND OTHER WESTERN SOURCES WHILE THE PROGRAM IS BEING EVALUATED. IF IT IS COMPLETED, WE EXPECT THAT IT WILL STILL LEAVE ROOM FOR ADDITIONAL JUDGEMENTS ON FUTURE EXPORT PROMOTION PLANS. NOW THAT WE UNDERSTAND MRO'S MARKET ESTIMATING PROCESS A LITTLE BETTER, WE WILL BE FORWARDING COMMENTS ON UPCOMING TRADE PROMOTION THEMES FOR ROMANIA SEPARATELY. BARNES

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